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Full Loan Request: Sparkhill - Sandhu - Offices

Main Site:	Longmore House, Cromer Road, BIRMINGHAM, B12 9QP
Date:	12/12/2018
Asset Description:	A vacant 17,000 sq ft office building with associated parking, with planning consent in place to convert to residential.



Deal Summary			
Loan Type	Commercial Bridge	Borrower Profile	Property Investment
SIPP Classification	SIPP Eligible	Loan Purpose	Purchase

Property Summary			
Market Value	£1,100,000	Property Income	£0
Vacant Possession Value	£1,100,000	Market Rental Value	£0
Purchase Price	£1,100,000	Purchase Type	Open Market
Tenure	Freehold	Asset Class	Office
EPC Rating (min. E)	n/a		

Loan Summary			
Total Loan Required	£825,000	Loan to Value (LTV)	75%
Rate of Interest	10.00%	Interest Cover	0x
Loan Term	6 months	Interest Expense (p.a.)	£82,500

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
C	High	66-75%	£110,000	16.00%	14.40%	0x
B	Medium	51-65%	£165,000	11.00%	9.90%	0x
A	Low	0-50%	£550,000	8.50%	7.65%	0x

Borrower Details

Name	Tay Dean Ltd
Registration	UK Registered Limited Company
Main Business Activity	The proposed Borrower is a special purpose Limited Company, registered in the UK. It has no assets other than the Subject Properties.
Ownership Structure	The Company is owned 100% by Mr Avtar Sandhu.

Applicant Details

Name	Avtar Sandhu
Age	64
Experience	<p>The Borrower is an experienced property investor and developer, and is a long-standing client of Proplend. Mr Sandhu's main business interest is a successful business recycling mobile phones.</p> <p>In addition to his main business interest, he has developed various residential schemes including 19 apartments in Sutton Coldfield. He also owns and lets various other residential investments in the Birmingham area.</p> <p>Mr Sandhu is married with 3 children and 3 grandchildren. He lives in a wealthy part of Hampton in Arden near Solihull.</p> <p>The Borrower has repaid 4 loan facilities with Proplend, and currently has 1 facility outstanding, which is being refinanced now.</p>
Credit History	Strong. Creditsafe score of 620 - Band 10 (out of a possible 10).
Net Worth	An updated assets and liabilities statement has been provided showing NW of £5.85m - all in property £4.6m of which is under ownership of related SPVs.

Loan Details

Loan Purpose	We are asked to provide a 75% LTV gross loan facility in order to assist with the purchase of the above target property. The purchase price is £1.1million.
Gross Loan Amount	£825,000
LTV	75%
ICR	0x
Serviceability	Monthly interest payments will be made from the Interest Reserve.
Interest reserve	Proplend will retain £61,875 (9 months interest) from the gross loan amount which will be held on account. The balance of the Interest Reserve will be applied to the repayment of principal at the end of the loan term.
Early Repayment	2% first 3 months, no fee thereafter.

Strategy During Loan Term

The property has planning to be converted from Offices (B1), to 27 Residential Units (C3), and the Borrower will be finalising plans for the current scheme, and securing development finance accordingly.

The development finance providers would prefer details of the scheme, which have not yet been finalised, and are not therefore able to provide the funds as quickly as we are. We have seen evidence of two lenders interest in the development.

The plans are however close to being finalised and we are advised that in addition to the purchase price of £1.1 million, build costs are expected to be in the region of £1.5m, with anticipated Gross Development Value of between £3.645m - £4.05m.

Property Details

Longmore House comprises a substantial office building set over three floors, extending to approximately 17,000 sq. ft. The Property has planning consent for change of use from Office (Use Class B1) to provide up to 27 Residential units (Use Class C3), under Permitted Development Consent. There is no Affordable Housing required and no s106 or s278 costs.

The Property comprises a former school which has most recently been used as offices. The ground and first floor accommodation are currently configured as a number of insular offices and meeting rooms along with common areas, toilets and staff facilities. There is a former caretakers flat on the second floor. Longmore House sits on a plot of approximately 0.59 acres (0.24 hectares) and has car parking and vehicle access to both the front and rear of the property.

The Property has brick elevations under a flat roof. Internally, the Property is in poor condition and has been stripped back in preparation for conversion. There is a mix of concrete and carpeted floors. The walls have been plastered and painted along with a combination of plastered and painted ceilings and suspended ceilings. The building is approximately 80 years old.

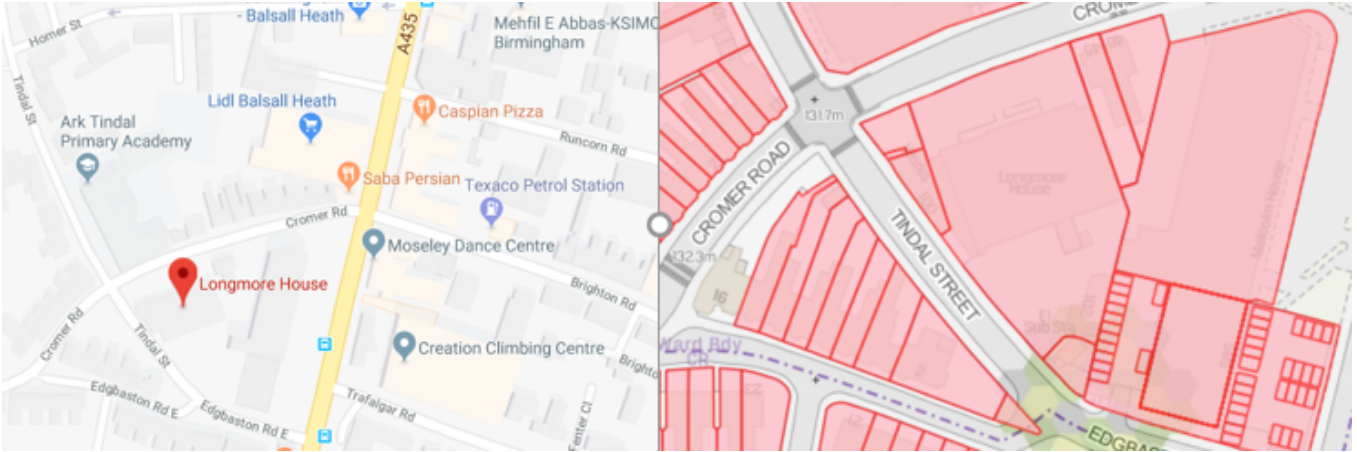


Location Report

Moseley is a popular suburb of Birmingham located approximately 3 miles south of the city centre. The property is well located on the cusp of Moseley & Balsall Heath on the west side of Alcester Road (A435) in Cromer Road, opposite the Ark Tindal primary school. Alcester Road serves as the principal retail area and main arterial road to the south of Birmingham city centre, leading through Moseley and King's Heath.

The local area is made up a mix of commercial and residential uses, with the Property in close proximity to the main commercial high street through Moseley. Bordesley Green railway station is located 2 miles away.

The site is located at land off Cromer Road, Moseley and sits on a corner plot between Cromer Road and Tindal Street.



Security

Main Site	First Legal Charge	Debenture	Debenture Required
Share Charge	Share Charge Not Required	Property Insurance	PSL Interest to be Noted on Completion

Personal Guarantee	Individual Guarantee from an Individual Director of Tay Dean Ltd for the sum of £165,000. Please note that the Guarantor has also provided an Individual Guarantee for the sum of £250,000 relating to the Birmingham HMO loan that went into funding on the 13th of December 2018.
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Exit Strategy

As above, we will be redeemed from the development finance proceeds. The indicative offers received provide a net loan of £873k on day one.

Covenants

LTV Covenant	75%	ICR Covenant	0x
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Fees

Arrangement Fee	2%	Broker Fee	1%
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Valuation

A valuation of the property was carried out by Cushman & Wakefield on 11/12/2018, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £1,100,000
Vacant Possession Value: £1,100,000
Open Market Rental Value: £0

Report on Title

A Report on Title will be supplied by Paris Smith acting on behalf of Proplend Security Ltd, and it's comments thereon can be viewed under documents.

Lender Risks

Mitigant

Risk Level

Risk that the management of the Borrower is not able to execute their business plan.

This would ordinarily be low risk for this applicant, however given the extenuating economic circumstances at this moment in time, it is possible that other lenders, including development finance providers, are in the throes of tweaking their credit policies.

Medium

Risk that the Borrower stops making monthly interest payments to Lenders due to loss of lease income and or tenants whose leases had ended, had exercised a lease break or have gone into receivership.

The loan is for a 6 month term, and a 9-month interest reserve will be held on account.

Low

Risk that the Borrower is unable to repay the loan principal at the end of the loan term because they have not been able to sell or re-finance the property.

This risk again will be governed by the change in attitude to risk, if there is any, by the development finance providers engaged. At the time of writing, there is appetite as evidenced by the broker.

Medium

Risk that the Property falls in value due to either macroeconomic or property specific reasons

There is a risk that the Property falls in value during this short loan term, given the current economic environment, and this is reflected in the individual tranche pricing, however the property would still have to fall by £275k before lenders in Tranche C would be affected.

Medium

Conditions Precedent

The following actions have been completed prior to credit approval:

- Satisfactory AML/KYC checks in respect of the Borrowers / Directors / Shareholders
- Clear credit searches against the Directors / Shareholders
- Formal, independent valuation addressed to Proplend Security Limited by a RICS qualified valuer confirming market value of the property.
- Satisfactory completion of all stated security requirements / Report on Title.
- Adequate insurance cover with Proplend Security Limited named as First Loss Payee
- Proplend Ltd diligence to be satisfied that interest payments can be serviced
- Loan to value not to exceed 75% on draw down

Documents

The following documents are available to download via the Loan Request screen:

- A Draft Standard Loan Contract
- The Report On Title and Lettings Report produced by Paris Smith
- A copy of the Valuation Report

Next Steps

If you are interested in participating in this Loan Request and are already fully registered with Proplend then:

Log in to your Proplend Lenders Account, go to Loan Investments

If the Loan Investment is In Funding, pick the Tranche you wish to lend into and click Lend Now. You will be required to enter the loan amount twice and then Lend Now. You then have the option to Lend again into a different Tranche if you wish. A copy of the Loan contract signed by you will appear in the Waiting to Close screen in your Lender Dashboard. When all the Loan Tranches are 100% filled, the Borrower will be invited to sign the Loan Contracts and the final Security documentation will be completed by Proplend Security Limited before drawing down the loan. This may take up to 10 days from 100% funding and you will be kept informed.

If you have any questions, please call us on 0203 397 8290

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